

BEFORE
THE PUBLIC SERVICE COMMISSION OF
SOUTH CAROLINA
DOCKET NO. 2001-401-C - ORDER NO. 2002-72
FEBRUARY 5, 2002

IN RE: Application of Optimation Services, Inc. for a)	ORDER
Certificate of Public Convenience and)	GRANTING
Necessity to Operate as a Reseller of)	CERTIFICATE FOR
Intrastate Interexchange Telecommunications)	LONG DISTANCE
Services within the State of South Carolina)	AUTHORITY AND
and for Alternative Regulation.)	MODIFIED
)	ALTERNATIVE
)	REGULATION

This matter comes before the Public Service Commission of South Carolina (the "Commission") by way of the Application of Optimation Services, Inc. ("OSI" or the "Company") requesting a Certificate of Public Convenience and Necessity authorizing it to provide intrastate, interexchange telecommunications services within the State of South Carolina. In addition, the Company requests that the Commission regulate its business services offerings in accordance with the principles and procedures established for alternative regulation in Orders No. 95-1734 and No. 96-55 in Docket No. 95-661-C. The Company's Application was filed pursuant to S.C. Code Ann. §58-9-280 (Supp. 2000) and the Regulations of the Public Service Commission of South Carolina.

The Commission's Executive Director instructed OSI to publish, one time, a prepared Notice of Filing in newspapers of general circulation in the affected areas. The purpose of the Notice of Filing was to inform interested parties of OSI's Application and

of the manner and time in which to file the appropriate pleadings for participation in the proceeding. OSI complied with this instruction and provided the Commission with proof of publication of the Notice of Filing. No Petitions to Intervene were filed.

A hearing was convened on January 24, 2002, at 10:30 a.m. in the Commission's Hearing Room at 101 Executive Center Drive, Columbia, South Carolina. The Honorable William Saunders, Chairman, presided. John J. Pringle, Jr., Esquire represented OSI. Adelaide D. Kline, Staff Counsel, represented the Commission Staff.

Ms. Vickie Porter, President of OSI, appeared and testified in support of the Application. Ms. Porter testified that she oversees the day-to-day operations of OSI, including legal and regulatory issues, carrier contracts, information systems, sales and marketing, as well as interfacing with the board of directors and the rest of the OSI management team. The record reveals that OSI is a South Carolina corporation that was incorporated in May of 1997. Ms. Porter explained that OSI's primary function has been providing bill and data processing functions for telecommunications companies. She further stated that OSI will still provide processing functions but additionally will incorporate interexchange services as a reseller. As a reseller of intrastate interexchange telecommunications services, Ms. Porter testified that OSI will offer its services to the public on a statewide basis and will offer a full range of 1+ interexchange telecommunications services on a resale basis. Specifically, OSI seeks authority to provide switched and dedicated Message Telecommunications Service, post-paid calling card service, and toll-free service. The Company does not intend to offer prepaid calling cards at this time. However, Ms. Porter testified that OSI understands the Commission's

requirement of posting a \$5,000 bond in the event they ever decide to offer prepaid calling cards. Ms. Porter stated that the Company's target market in South Carolina will be small businesses and residential customers. She said OSI will use independent agents to sell its services and additionally may use television and radio advertising. She testified she is aware of the Commission's marketing guidelines. Written letters of authorization will be used to switch a customer from another provider to OSI. Additionally, Ms. Porter said the company does not intend to use telemarketing. She further explained that the Company is in the preparation phase and hopes to be provisioning resold long distance services in the very near future. Ms. Porter is the regulatory contact person and Rebecca Stringer is the customer service contact person for the Company.

Regarding the Company's technical abilities to offer telecommunications services in South Carolina, Ms. Porter testified that OSI expects to utilize the interexchange carrier services of Qwest and MCI WorldCom. She stated that OSI will only utilize carriers properly certified by this Commission to provide service in this state. OSI is authorized to provide intrastate telecommunications services in Indiana, Pennsylvania, and North Carolina. OSI also has applications pending in Georgia and Illinois. According to Ms. Porter, OSI operates a customer service center, which handles all such requests, available twenty-four hours a day, seven days a week. She said customer service is a top priority of the Company. She additionally testified that the toll-free number is (866) 674-2666 and is manned during business hours; an on-call representative with access to all records will respond to inquiries after business hours. The testimony reveals in the event an inquiry requires further investigation on the part of the service representative, the

customer is advised of the reasons for the need for additional inquiries and is given a date certain by which the inquiry will be addressed.

Concerning the financial ability of OSI to operate within South Carolina, Ms. Porter stated that OSI has a specified amount of paid in capital and a line of credit with BB&T Bank. The Company's cash position is very strong, it has no long term debt and appears to be very liquid. Cheryl Gill is the Company's financial contact person.

As to OSI managerial abilities to offer the services it proposes to offer in South Carolina, Ms. Porter testified that OSI is guided by an experienced management team that includes four principal managing partners who collectively have a substantial number of years of management and telecommunications experience. Ms. Porter has over ten years of experience in the telecommunications industry. She testified she helped develop the information system for Corporate Telemanagement Group, Inc. a Greenville, South Carolina company, in 1991, when she started her telecommunications career. Ms. Porter also served on the management team of Efficacy Group, Inc., a switchless provider of telecommunications services. She is a graduate of Bob Jones University. Beverly Brady, Secretary and a Managing Partner, has over thirteen years experience in the information services industry, with six years of that being in the telecommunications industry. Ms. Brady started her telecommunications career at Corporate Telemanagement Group, Inc. where she was responsible for due diligence, analysis and conversion of all acquired companies. She developed the order entry system the Company still owns and uses today. Ms. Brady is a graduate of Clemson University. The record reveals that Rebecca Stringer, Vice President and Managing Partner, has over fifteen years of experience in the

telecommunications industry. She has served in various capacities in several telecommunications companies since 1980. The fourth Managing Partner and Treasurer is Cheryl Gill who has more than twenty years business experience and five years of telecommunications experience, specializing in finance, consulting, personnel and management operations. Ms. Gill's background includes the position as Controller for Efficacy Group, Inc. Her Bachelor of Science degree is from the University of Missouri at Rola and her Master's degree in Business Administration is from Virginia Tech. William "Buddy" Wehlitz and Tim van den Meiracker are members of the board of directors.

According to Ms. Porter, OSI has never had authority denied in any state where it has applied for authority nor has the Company had authority revoked in any state where it has been granted authority. Additionally, OSI has never been the subject of an investigation, fined or sanctioned by a state or federal regulatory body. According to the testimony, OSI has not marketed its services in South Carolina prior to receiving certification, and OSI has not received revenues from the completion of intrastate calls in South Carolina prior to receiving certification. Ms. Porter stated that OSI will abide by all the Commission's rules, regulations and Orders upon the Company receiving certification to operate as a reseller of intrastate interexchange telecommunications services in South Carolina. Finally, Ms. Porter testified that OSI agrees to make all changes to its final tariff that were suggested by the Commission Staff, including the addition of the Company's email address and telephone number to the bottom of each page of the final tariff. She additionally agreed to file a copy of the Company's Bill Form with the final tariff in order to be in compliance with the Commissions Rules and

Regulations. She stated she understands and is aware of the Commission's requirements that all telecommunications carriers file a report on South Carolina operations, a gross receipts report, and a universal service contribution report on an annual basis. She committed to file her Company's financial reports on a timely basis. OSI requested that all of its business service offerings be regulated pursuant to the procedures described and set out in Order Nos. 95-1734 and 96-55 in Docket No. 95-661-C. It is OSI's intent by this request to have its business services regulated in the same manner as this Commission has permitted for AT&T Communications of the Southern States. Ms. Porter testified that she understands that alternative regulation has now been modified by this Commission because of the re-imposition of rate caps with regard to certain "operator assisted calls" where a customer uses a local exchange carrier's calling card to complete calls from locations which have not selected that local exchange carrier as their toll provider. Ms. Porter testified she understands that Order No. 2001-997, dated November 8, 2001, imposed a maximum cap of \$1.75 for operator surcharges for such calls, and a maximum cap of \$0.35 related to the flat per-minute rate associated with these calls.

After full consideration of the applicable law, the Company's Application, and the evidence presented at the hearing, the Commission hereby issues its findings of fact and conclusions of law:

FINDINGS OF FACT

1. OSI is organized as a corporation under the laws of the State of South Carolina.

2. OSI is a provider of long distance services and wishes to provide long distance services in South Carolina.

3. OSI has the experience, capability, and financial resources to provide the services as described in its Application.

CONCLUSIONS OF LAW

1. Based on the above findings of fact, the Commission determines that a Certificate of Public Convenience and Necessity should be granted to OSI to provide intrastate interLATA service and to originate and terminate toll traffic within the same LATA, as set forth herein, through the resale of intrastate Wide Area Telecommunications Services (WATS), Message Telecommunications Service (MTS), Foreign Exchange Service, Private Line Service, or any other services authorized for resale by tariffs of carriers approved by the Commission.

2. The Commission adopts a rate design for the long distance services of OSI which are consistent with the principles and procedures established for alternative regulation for business service offerings set out in Order Nos. 95-1734 and 96-55 in Docket No. 95-661-C.

Under the Commission approved alternative regulation, the business service offerings of OSI including consumer card services, and operator services, are subject to a relaxed regulatory scheme identical to that granted to AT&T Communications in Order Nos. 95-1734 and 96-55 in Docket No. 96-661-C. However, pursuant to Order No. 2001-997 (Docket No. 2000-407-C), this Commission has modified alternative regulation by the re-imposition of rate caps with regard to certain “operator-assisted calls” where a

customer uses a local exchange carrier as their toll provider. Order No. 2001-997, dated November 8, 2001, imposed a maximum cap of \$1.75 for operator surcharges for such calls, and a maximum cap of \$0.35 related to the flat per-minute rate associated with these calls. Under this relaxed regulatory scheme, tariff filings for business services shall be presumed valid upon filing. The Commission will have seven (7) days in which to institute an investigation of any tariff filing. If the Commission institutes an investigation of a particular tariff filing within the seven days, the tariff filing will then be suspended until further Order of the Commission. Any relaxation in the future reporting requirements that may be adopted for AT&T shall apply to OSI also.

3. The Commission adopts a rate design for OSI for its resale of residential interexchange services which includes only maximum rate levels for each tariff charge. A rate structure incorporating maximum rate levels with the flexibility for adjustment below the maximum rate levels has been previously adopted by the Commission. In Re: Application of GTE Sprint Communications Corporation, etc., Order No. 84-622, issued in Docket No. 84-10-C (August 2, 1984).

4. OSI shall not adjust its residential interexchange rates below the approved maximum level without notice to the Commission and to the public. OSI shall file its proposed rate changes, publish its notice of such changes, and file affidavits of publication with the Commission two weeks prior to the effective date of the changes. However, the public notice requirement is waived, and therefore not required, for reductions below the maximum cap in instances which do not affect the general body of subscribers or do not constitute a general rate reduction. In Re: Application of GTE

Sprint Communications, etc., Order No. 93-638, issued in Docket No. 84-10-C (July 16, 1993). Any proposed increase in the maximum rate level for interexchange services reflected in the tariff, which would be applicable to the general body of the Company's subscribers, shall constitute a general ratemaking proceeding and will be treated in accordance with the notice and hearing provision of S.C. Code Ann. §58-9-540 (Supp. 2000).

5. If it has not already done so by the date of issuance of this Order, OSI shall file its revised tariff and an accompanying price list within thirty (30) days of receipt of this Order. The revised tariff shall be consistent with the findings of this Order and shall be consistent with the Commission's Rules and Regulations. Further, OSI shall file a copy of its Bill Form as required by 26 S.C. Code Ann. Regs. 103-612.2.2 and 102-622.1 (1976) with its final Tariff.

6. OSI is subject to access charges pursuant to Commission Order No. 86-584, in which the Commission determined that for access purposes resellers and facilities-based interexchange carriers should be treated similarly.

7. With regard to the OSI resale of service, an end-user should be able to access another interexchange carrier or operator service provider if the end-user so desires.

8. OSI shall resell the services of only those interexchange carriers or LECs authorized to do business in South Carolina by this Commission. If OSI changes underlying carriers, it shall notify the Commission in writing.

9. OSI shall, in compliance with Commission regulations, designate and maintain an authorized utility representative who is prepared to discuss, on a regulatory level, customer relations (complaint) matters, engineering operations, tests and repairs. In addition, OSI shall provide to the Commission in writing the name of the authorized representative to be contacted in connection with general management duties as well as emergencies which occur during non-office hours.

OSI shall file the names, addresses and telephone numbers of these representatives with the Commission within thirty (30) days of receipt of this Order. The “Authorized Utility Representative Information” form can be found at the Commission’s website at www.psc.state.sc.us/forms; this form shall be utilized for the provision of this information to the Commission. Further, OSI shall promptly notify the Commission in writing if the representatives are replaced.

10. With regard to the origination and termination of toll calls within the same LATA, OSI shall comply with the terms of Order No. 93-462, Order Approving Stipulation and Agreement, in Docket Nos. 92-182-C, 92-183-C, and 92-200-C (June 3, 1993), with the exception of the 10-XXX intraLATA dialing requirement, which has been rendered obsolete by the toll dialing parity rules established by the Federal Communications Commission pursuant to the Telecommunications Act of 1996 (See, 47 CFR 51.209).

11. The Company’s request to maintain its books in accordance with Generally Accepted Accounting Principles (GAAP) is granted.

12. OSI is directed to comply with all Rules and Regulations of the Commission, unless a regulation is specifically waived by the Commission.

13. OSI shall file annual financial information in the form of annual reports and gross receipts reports as required by the Commission. The annual report and the gross receipt report will necessitate the filing of intrastate information. Therefore, OSI shall keep financial records on an intrastate basis for South Carolina to comply with the annual report and gross receipts filings. The proper form for filing annual financial information can be found at the Commission's website at www.psc.state.sc.us/forms. The title of this form is "Annual Information on South Carolina Operations for Interexchange Companies and AOS." This form shall be utilized by the Company to file annual financial information with the Commission. Commission gross receipts forms are due to be filed with the Commission no later than October first of each year.

14. Each telecommunications company certified in South Carolina is required to file annually the Intrastate State Universal Service Fund (USF) worksheet. This worksheet provides the Commission Staff information required to determine each telecommunications company's liability to the State USF fund. The Intrastate USF worksheet is due to be filed annually no later than August 15th.

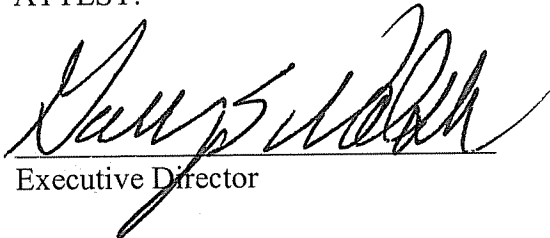
15. This Order shall remain in full force and effect until further Order of the Commission.

BY ORDER OF THE COMMISSION:



Chairman

ATTEST:



Executive Director

(SEAL)